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Message Text

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LAB-01 NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01

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TO SECSTATE WASHDC 7700
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AMEMBASSY DUBLIN
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C O N F I D E N T I A L SECTION 1 OF 3 EC BRUSSELS 8394

E.O. 11652: GDS
TAGS: PFOR, EGEN, EEC, US
SUBJECT: EUROPEAN COMMUNITY PROBLEMS AND PROSPECTS

REF: EC BRUSSELS 4774

1. SUMMARY. ALTHOUGH THE EUROPEAN COMMUNITY HAS NO MAJOR ACHIEVEMENTS TO ITS CREDIT IN THE RECENT PAST, THE EUROPEAN IDEA STILL HAS A SOLID ALBEIT PASSIVE BASE OF PUBLIC SUPPORT ON THE CONTINENT. THIS PLUS
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VESTED INTERESTS IN THE CUSTOMS UNION, IN AGRICULTURAL

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POLICY AND IN THE NINE-COUNTRY POLITICAL FRAMEWORK, MAKE IT UNLIKELY THE COMMUNITY WOULD COLLAPSE EVEN IN THE FACE OF BRITISH "RENEGOTIATION", THE ENERGY CRISIS AND RELATED SEVERE ECONOMIC PROBLEMS. OPTIMISTS CAN POINT TO PROGRESS IN NETOTIATIONS WITH OUTSIDE COUNTIRES AND IN EC HELP TO THE LDCS, PLUS THE PROSPECT OF AN EC BORROWING TO HELP WITH RECYCLING. WHILE THE FRENCH SUMMIT INITIATIVE MAY RESULT IN SOME PROGRESS ON EUROPEAN INSTITUTIONAL QUESTIONS, THE OUTLOOK IS FOR CONTINUED SLOW MOVEMENT IN THE PRESENT MIXED FRAMEWORK OF CENTRAL EC CONTROL AND INTERGOVERNMENTAL COOPERATION. US/EC RELATIONS HAVE BEEN RELATIVELY GOOD FOR SOME TIME, AND THIS SITUATION SHOULD CONTINUE IF WE GET TRADE LEGIS-LATION, IF THE INTERNATIONAL ECONOMIC SITUATION DOESN'T BLOW UP, AND IF WE DON'T GET INTO A HASSLE OVER SOME POLITICAL COOPERATION ISSUE. PARTLY BECAUSE OF THE FRENCH ATTITUDE, THE MIDDLE EAST AND OIL-RELATED QUESTIONS SEEM THE MOST LIKELY AREAS FOR TROUBLE IN OUR RELATIONS. END SUMMARY.

2. STATE OF THE COMMUNITY. WITH CONTINUING UNCERTAINTY ABOUT BRITISH MEMBERSHIP AND WITH MANY DIFFICULT POLITICO-ECOMOMIC ISSUES BEFORE IT, THE EUROPEAN COMMUNITY FOR THE THRID SUCCESSIVE AUTUMN IS TRYING TO "RELAUNCH" TE EUROPEAN UNIFICATION MOVEMENT. FOLLOWING NON-IMPLEMENTATION OF MOST OF THE 1972 PARIS SUMMIT PROGRAM AND THE NEAR-FIASCO OF THE 1973 COPENHAGEN "FIRESIDE CHAT", MOST OF FRANCES'S PARTNERS HAVE APPROACHED THE PROPOSAL FOR ANOTHER SUMMIT WARILY. THEY REALIZE THAT MAJOR BREAKTHROUGHS TOWARD EUROPEAN INTEGRATION SEEM NOT TO BE IN THE CARDS. THE CHALLENGE FOR THE NINE IS TO SHOW SOME COMMUNITY SOLIDARITY AND PROGRESS WITHOUT RAISING EXCESSIVE PUBLIC EXPECTATIONS.

3. FRENCH PROPOSALS FOR STRENGTHENING THE COMMUNITY AND THE EC POLITICAL COOPERATION SYSTEM (EC BRUSSELS 8321) RECEEIVED A COOL INITIAL RECEPTION. NOW THAT GSICARD HAS FORMALLY ISSUED THE SUMMIT INVITIATIONS, WE BELIEVE THE FRENCH IDEAS-- RANGING FROM LIMITED MAJORITY VOTING TO INSTITUTIONALIZING THE HEADS OF CONFIDENTIAL

GOVERNMENT FORUM--WILL GET SERIOUS CONSIDERATION. THERE WILL, HOWEVER,BE FEW ILLUSIONS AND SOME SUSPICIONS. OF FRENCH INTENTIONS.

4. AS PART OF THE SEARCH FOR "INSTITUTIONAL" SOLUTIONS FOR EC PROBLEMS, THERE HAVE BEEN COMPLAINTS (ESPECIALLY FROM THE FRG) ABOUT A "SWOLLEN BUREAUCRACY" WITH ATTENDANT INEFFICIENCY AND INFLEXIBILITY. AS WITH MOST LARGE

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ORGANIZATIONS, THE COMMUNITY IS GOOD IN SOME AREAS, BAD
IN OTHERS. BASICALLY, HOWEVER, THE REAL DEFICIENCY IS
INSUFFICIENT COMMITMENT, LEADERSHIP, AND POLITICAL
WILL IN THE MEMBER GOVERNMENTS. THE PRESENT INSTITUTIONAL
STRUCTURE IS FAR FROM IDEAL, BUT IT WOULD BE MADE TO
WORK. THE COMMISSION IS IN MANY WAYS THE BEST SINCE
THE EARLY SIXTIES -- AND IT IS CERTAINLY SENSITIVE TO
THE IMPORTANCE OF RELATIONS WITH THE US.

5. EC ACTIVITIES NOW CONSIDERED "ROUTINE" -- SUCH AS
ANTI-TRUST AND REMOVAL OF INTERNAL TRADE BARRIERS--
HAVE PROCEEDED APACE. PRESSURES ON THE CUSTOMS UNION
STEMMING FROM DIFFERING RATES OF INFLATION AND BALANCE-
OF-PAYMENTS SITUATIONS AMONG THE MEMBER STATES HAVE
ABATED SINCE EARLIER THIS YEAR WHEN ITALY APPLIED IMPORT
RESTRAINT MEASURES. THESE PRESSURES COULD ASSERT
THEMESLVES AGAIN AT ANY TIME, HOWEVER. WHERE THE
COMMUNITY HAS FALLEN DOWN IS IN DEALING WITH THE COMPLEX
OF MAJOR INTERNATIONAL ECONOMIC PROBLEMS INVOLVING
ENERGY, INFLATION, MONETARY RECYCLING AND RELATED MATTERS.
IN THIS AREA, THE ISSUE IS NOT WHETHER EFFORTS AT THE
COMMUNITY LEVEL WOULD SUFFICE SINCE VIABLE SOLUTIONS
CAN BE ATTAINED ONLY AT THE BROADER INTERNATIONAL
LEVEL. THE QUESTION IS WHETHER THE COMMUNITY CAN MAKE
A CONTRIBUTION AND PRESERVE ITS COHESION IN THE PROCESS.

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SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02

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C O N F I D E N T I A L SECTION 2 OF 3 EC BRUSSELS 8394

6. IN THE ENERGY FIELD, FOR EXAMPLE, THE COMMUNITY'S EFFORTS TO FORM A COMMON POLICY LAG WELL BEHIND THE PROGRESS IN THE ECG. FRANCE'S DECISION NOT TO JOIN THE NEW INTERNATIONAL ENERGY AGENCY -- AND TO CALL FOR A NEW PRODUCER-CONSUMER CONFERENCE -- MEANS THAT THE NINE WILL REMAIN DIVIDED IN THEIR RELATIONS WITH THE OTHER MAJOR CONSUMERS. THE SO-CALLED EURO-ARAB DIALOGUE IS STILL IN THE PROCEDURAL STAGE AND, WHILE THE ARABS ARE SHOWING INTEREST, IT IS FAR FROM CLEAR THAT THE COMMUNITY WILL EVER GET A HANDLE ON BILATERAL MEMBER CONFIDENTIAL

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STATE RELATIONS WITH THE ARAB OIL PRODUCERS. THE COULCIL HAS DECIDED IN PRINCIPLE TO FLOAT A COMMUNITY LOAN TO HELP ITALY AND OTHER DEFICIT COUNTIRES BUT, INITIALLY AT LEAST, THE AMOUNT WILL BE VERY MODEST, GIVEN THE SIZE OF THE PROBLEM.

7. OVERALL, IT SEEMS THAT THE COMMUNITYPOLICIES AND PROGRAMS ARE ONLY MARGINALLY RELEVANT TO THE PRESSING IMMEDIATE CONCERNS OF ITS CITIZENS AND GOVERNMENTS. AND ON MOST ISSUES IT STILL HAS NO COMMON VOICE EXTERNALLY. RATHER THAN BEING ABLE TO ADDRESS ITSELF TO EUROPE'S AND THE WORLDS'S MAJOR ECONOMIC ISSUES, THE COMMUNITY IN ITS PRESENT POSITION ON DEAD CENTER HAS TO CONCENTRATE ON MAINTAINING WHAT IT HAS ACHIEVED -- PRIMARILY A CUSTOMS UNION, AN AGRICULTURAL POLICY, AND SOME FOREIGN POLICY COORDINATION.

8. DESPITE THE FOREGOING DIM PICTURE, THE COMMUNITY HAS CHALKED UP SOME RECENT SUCCESSES IN ITS EXTERNAL RELATIONS: CONTINUED MOVEMENT IN THE COMPLES NEGOTIATIONS WITH FORTY-FOUR COUNTRIES IN AFRICA, THE CARIBBEAN AND THE PACIFIC; RE-SUMPTION OF NEGOTIATIONS AND "RENEGOTIATIONS" WITH MEDITERRANEAN COUNTRIES; AND, AFTER SEVERAL YEARS OF FALSE

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STARTS, THE BEGINNING OF A COMMON TRADE POLICY TOWARD
THE SOVIET UNION AND EASTERN EUROPE.

9. THE RUSH OF COUNTRIES WANTING TO CONCLUDE PREFERENTIAL
OR MFN AGREEMENTS AND/OR ECONOMIC COOPERATION AGREEMENTS
WITH THE COMMUNITY CONTINUES. THERE HAVE BEEN RECENT
MOVES BY CANADA, MEXICO, THE ASEAN NATIONS AND OTHERS.
THE COMMUNITY ALSO MANAGED TO LOOK GOOD IN ITS OFFER TO
SUPPORT THE WALDHEIM INITIATIVE FOR HELP TO THE LDC'S
MOST SERIOUSLY AFFECTED BY THE ENERGY CRISIS.

10. THE COMMON AGRICULTURAL POLICY HAS HAD A MIXED TRACK
RECORD THIS YEAR. FOR SOME COMMODITIES, SUCH AS WHEAT,
IT CAN BE ARGUED THAT THE CAP HAS HELPED SHELTER WESTERN
EUROPE FROM THE PRESSURES OF WORLD SHORTAGES AND PRICE
RISES. FOR OTHERS, SUCH AS BEEF, THE CAP HAS CONTRIBUTED
TO UNMANAGEABLE SURPLUSES NECESSITATING AN EMBARGO ON
IMPORTS. THE THREAT OF AN INCIPIENT COMMUNITY CRISIS
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OVER SCHMIDT'S ATTACK ON THE CAP WAS QUICKLY DEFUSED. BUT
THE GERMANS DID EXTRACT A COMMITMENT TO AN AGRICULTURAL
REVIEW THAT COULD RESULT IN SOME IMPROVEMENT IN THE CAP'S
OPERATION. (SEE EC BRUSSELS 7694 FOR AN ANALYSIS OF THE
POSSIBILITIES.)

11. WILSON'S VICTORY IN THE BRITISH ELECTIONS MEANS
THAT THE COMMUNTIY WILL PROBABLY HAVE TO LIVE UNTIL WELL
INTO NEXT YEAR WITH THE POSSIBILITY OF UK WITHDRAWAL.
THE DOMINANT OPINION IN BRUSSELS IS THAT WILSON, CALLAGHAN,
AND THE LABOR PRO-MARKETEERS WILL FIND SOME WAY TO
KEEP BRITAIN IN. BUT THERE IS A REALIZATION THAT THE
COMMITMENT TO CONSULT THE BRITISH PEOPLE CREATES A
HIGH-RISK SITUATION.

12. PRIOR TO THE BRITISH ELECTIONS, THERE WERE FEW
SIGNS OF COMMUNITY WILLINGNESS TO MAKE MAJOR SUBSTANTIVE
OR EVEN "OCSMETIC" CONCESSIONS TO HELP WILSON. WE
ARE BEGINNING, HOWEVER,TO SEE A CHANGE IN ATTITUDE THAT
-- IN THE GUISE OF NORMAL COMMUNITY BUSINESS -- COULD
RESULT IN AN ACCEPTABLE " RENEGOTIATION" PACKAGE NEXT
SPRING. SUCH A PACKAGE COULD INCLUDE: THE AID AND ACP
DEVELOPMENTS AS A SOLUTION TO MOST OF THE COMMONWEALTH
PROBLEM; THE EXCEPTIONS FROM THE CAP ALREADY MADE
FOR BRITIAN AND THE SUGAR DEAL PLUS WHATEVER COMES OUT
OF THE UPCOMING CAP REVIEW TO COVER THE AGRICULTURAL
FIELD; THE MUTING OF BRAVE PRONOUNCEMENTS ON MONETARY
AND POLITICAL UNION TO HELP DEAL WITH THE SOVEREIGNTY
ISSUE, ETC. THE BUDGET- SHARING QUESTION WILL BE DIFFICULT
TO RESOLVE IF THE FRENCH RAISE QUESTIONS OF PRINCIPLE

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TO MAINTAIN THE PRESENT SYSTEM OF EC "OWN RESOURCES"
(DUTIES, VARIABLE LEVIES AND VALUE ADDED TAX).

13. OUTLOOK. THE PROSPECT IS FOR THE COMMUNITY TO REMAIN SUBSTANTIALLY IN ITS PRESENT MOLD FOR THE FORESEEABLE FUTURE. DESPITE RENEWED TALK ABOUT " TRANSFERS OF SOVEREIGNTY" -- AND THE POSSIBILITY OF LIMITED EXPANSION IN THE COMMUNITY'S ACTIVITIES -- THE CURRENT BALANCE BETWEEN CENTRAL AUTHORITY AND INTERGOVERNMENTAL COOPERATION IS LIKELY TO CONTINUE.

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14. IN THE FIELD OF POLITICAL COOPERATION, THE MOMENTUM OF FREQUENT CONSULTATIONS AMONT THE NINE (ON AN INTERGOVERNMENTAL BASIS) SHOULD BE MAINTAINED EVEN WITHOUT AGREEMENT ON A SECRETARIAT. BUT THE NINE ARE STILL FAR FROM A COMMON FOREIGN POLICY (WITNESS THE MOST RECENT SPLIT OVER THE PLO AT THE GA). WHERE PERCEPTIONS OF NATIONAL INTERESTS DO NOT DIVERGE TOO GREATLY, HARMONIZATION OF POLICIES AND COMMON POSITIONS CAN BE ACHIEVED AS, FOR EXAMPLE, ON GREECE AND CYPRUS. THE MIDDLE EAST AND OIL-RELATED ISSUES SEEM THE MOST LIKELY CANDIDATES FOR TROUBLE AMONG THE NINE AND WITH THE US.

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15. BARRING A CATASTROPHIC INTERNATIONAL CRISIS, IN WHICH CASE ALL BETS WOULD BE OFF, WE BELIEVE THE COMMUNITY WILL SIMPLY CONTINUE TO GNAW AT ITS SUBSTANTIVE PROBLEMS, OLD AND NEW, WITHOUT SIGNIFICANT CHANGE IN ITS STRUCTURE. IT WILL OF COURSE CONTINUE TO PLAY A MAJOR ROLE IN INTERNATIONAL TRADE AND ECONOMIC DEVELOPMENT ACTIVITIES. DESPITE PUBLIC WEARINESS WITH OLD CLICHES, CONTINENTAL POLITICIANS CONTINUE TO ASSERT THEIR ATTACH-MENT TO THE EUROPEAN IDEA. THE EC STILL PROVIDES AN IMPORTANT FRAMEWORK FOR CLOSE TIES AMONG THE NINE. CONFIDENTIAL

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VESTED INTERESTS IN BOTH THE ECONOMIC AND POLITICAL ASPECTS OF THE COMMUNITY REMAIN STRONG DESPITE CONTINUING EMPHASIS ON NATIONAL INTERESTS.

16. US-EC RELATIONS. US RELATIONS WITH THE COMMUNITY, ALREADY IMPROVED SINCE THE EARLY SUMMER (REFTEL), REMAIN BASICALLY GOOD. FOR THE FIRST TIME IN MANY YEARS, TRADE ISSUES HAVE NOT DOMINATED OUR DEALINGS OVER THE PAST FEW MONTHS. IF THE AGRICULTURAL SITUATION CONTINUES TO BE MANAGED SO WE CAN AVOID UNILATERAL RESTRICTIONS ON SUPPLIES OF ANIMAL FEED, THIS TRADITIONAL AREA OF CONFLICT MAY ALSO BE QUIET. ON THE CONTRARY, PERHAPS WE CAN COOPERATE MORE EFFECTIVELY IN THE SEARCH FOR ANSWERS TO THE WORLD FOOD PROBLEM. THE PERSPECTIVE OF THE MULTILATERAL TRADE NEGOTIATIONS HAD UNDOUBTEDLY HELPED CHANNEL AND RESTRAIN PROTECTIONIST PRESSURES ON BOTH SIDES OF THE ATLANTIC. FINAL PASSAGE OF THE TRADE BILL OUGHT TO ASSURE THAT US-EC TRADE RELATIONS WILL MOVE FORWARD CONSTRUCTIVELY FOR THE NEXT FEW YEARS.

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17. ONE MAJOR BONE OF CONTENTION, THE COMMUNITY'S PREFERENTIAL TRADE AGREEMENTS IN AFRICA AND THE MEDITERRANEAN REGION, SEEMS TO BE ON THE WAY TO BEING REMOVED ALONG LINES OF THE PRAGMATIC MODUS VIVENDI THE US PROPOSED IN 1973 (THE CASEY PROPOSAL). THE APPARENT END OF REVERSE PREFERENCES IN THE ACP AGREEMENT CONTEXT, RESOLUTION OF CERTAIN SPECIAL PREFERENCE PROBLEMS IN THE GATT ARTICLE XXIV:6 NEGOTIATIONS, AND THE COMMISSION'S DESIRE TO SET A GEOGRAPHICAL LIMIT TO THE SPREAD OF DISCRIMINATORY EC AGREEMENTS WILL ALSO CONTRIBUTE TO A BETTER ATMOSPHERE IN RELATIONS WITH THE LDC'S.

18. PRESSURES FOR SPECIAL EC ARRANGEMENTS WITH SOME COUNTRIES (E.G. IRAN) ARE STILL WITH US, HOWEVER, AND THE COMMUNITY COULD BUCKLE DESPITE THE COMMISSION'S OPPOSITION. AGREEMENTS BETWEEN THE COMMUNITY AND STATE-TRADING COUNTRIES COULD RAISE PROBLEMS FOR US (SEE EC BRUSSELS 8324). EVEN MFN AGREEMENTS WITH SOME COUNTRIES -- CANADA IS THE PRIME CURRENT EXAMPLE -- COULD CAUSE DIFFICULTIES. IN ALL THESE CASES, DIFFERENCES CAN BE LIMITED AND INCIPIENT DEVELOPMENTS CONFIDENTIAL

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CONTRARY TO US OBJECTIVES CHOKED OFF IF WE MAKE STRONG AND UNAMBIGUOUS REPRESENTATIONS TO THE NINE GOVERNMENTS AND THE THE COMMISSION AT AN EARLY STAGE. OTHERWISE, WE RISK THE KIND OF CREEPING PROLIFERATION THAT HAS DAMAGED US-EC RELATIONS IN THE PAST.

19. WITH REGARD TO THE MAJOR COMMON PROBLEMS SUCH AS ENERGY, FOOD, AND INFLATION, THERE IS POTENTIAL BOTH FOR SERIOUS MISUNDERSTANDING AND FOR IMPROVED COOPERATION. ON THIS COMPLEX OF ISSUES, CLOSE AND CONTINUING CON-SULTATION IS THE KEY TO KEEPING RELATIONS WITH THE COMMUNITY ON AN EVEN KEEL. VISIBLE STEPS SUCH AS AMBASSADOR EBERLE'S RECENT MISSION TO EXPLAIN THE PRESIDENT'S ECONOMIC PROGRAM ARE ESSENTIAL TO SUPPLEMENT CONSULTATIONS IN SMALL AND LARGE INTERNATIONAL BODIES. (USNATO 5682, PARA. 8)

20. ON THE POLITICAL FRONT, THE EURO-ARAB DIALOGUE HAS THUS FAR SKIRTED MIDDLE EAST POLITICAL QUESTIONS AND THE PETROLEUM ISSUES WE CONSIDER MOST SENSITIVE. BUT THE RISKS OF CONFLICE AND DEEP MISUNDERSTANDINGS PERSIST IN THIS ARE ALSO. THERFORE, WE WELCOME THE DEPARTMENTS'S INTENTION TO PUT THE SPIRIT OF GYMNICH INTO PRACTICE WITH PROPOSALS FOR SYSTMEATIC CONSULTATION ON PRESENT AND ANTICIPATED POLITICAL ISSUES (STATE 230806). ON SUBJECTS SUCH AS THE MIDDLE EAST, CYPRUS, GREECE, TURKEY, AND THE IBERIAN PENINSULA, STYLE IS ALMOST AS

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IMPORTANT AS SUBSTANCE. US WILLINGNESS TO TAKE THE FIRST STEP WITHOUT RAISING "THEOLOGICAL" QUESTIONS ON THE PRINCIPLE OR MODALITIES OF CONSULTATION COULD PAY SUBSTANTIAL DIVIDENDS.

21. DESPTIE ITS SLOW PROGRESS AND THE LARGE PROBLEMS IT FACES, THE EUROPEAN COMMUNITY WILL REMAIN A SIGNIFICANT FACT OF LIFE IN OUR RELATIONS WITH EUROPE. WE BELIEVE, THEREFORE, THAT OUR LONG-STANDING POLICY OF SUPPORT FOR THE COMMUNITY AND ITS GOALS IN AN ATLANTIC CONTEXT CONTINUES TO BE VALID. AN INCOMPLETE COMMUNITY IS AN IMPERFECT PARTNER FOR COOPERATION. BUT EXPERIENCE SHOWS THAT WE MUST WORK WITH IT TO ACHIEVE OUR OWN OBJECTIVES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, CREDIT, SUPPLIES, MEMBERSHIP, ECONOMIC ESTIMATES, ECONOMIC TRENDS, BALANCE OF PAYMENTS, AGRICULTURAL POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ECBRU08394
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740306-0377
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1974/newtext/t19741017/aaaaanxf.tel
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Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 9
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: EC BRUSSELS 4774
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by boyleja>; APPROVED <06-Aug-2002 by golinofr>
Review Markings:

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US Department of State
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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EUROPEAN COMMUNITY PROBLEMS AND PROSPECTS
TAGS: PFOR, EGEN, US, UK, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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